

HR 17488

CABLE SEC DISSEM BY 6 PER TOTAL COPIES 15-1 RUN BY

REPRODUCTION BY OTHER THAN
ISSUING OFFICE IS PROHIBITED

PERSON/UNIT NOTIFIED

S E C R E T

ADVANCE COPY ISSUED/SLOTTED BY AT Z

ACTION UNIT

I
N
F
O

RF. FILE VR

OLC DDO

ACTION #

PRECEDENCE			
1		4	
2		5	
3		6	

T 647222

EIA291

PAGE 01-01

25X1A

TOR:150929Z DEC 74

S E C R E T 150919Z DEC 74 STAFF

CITE

25X1A

TO: PRIORITY DIRECTOR.

ADMIN

REF: STATE TELEGRAM 270247 ()

ASSUME HQS IS AWARE OF REF. WOULD BE INTERESTED IN
KNOWING CURRENT STATUS OF BILL, WHAT ACTION THE AGENCY IS
TAKING, AND ESTIMATED CHANCES OF ITS SUCCESS. PLEASE
ADVISE. E2, IMPDET.

* NO RECORD IN CABLE SECRETARIAT.

Interesting!
TO Phe

State Dept. declassification & release instructions on file

DEPARTMENT OF STATE TELEGRAM

25X1A

PAGE 01 STATE 270247

ORIGIN AFBA:08

INFO OCT-01 1003 R

DRAFTED BY AFBA:RUELLIAMSON
APPROVED BY DO/EN:HEWETNER
AFBA:TBOYATT

UNCLASSIFIED

REBDES

NC 25917

NOTE: CABLE REQUESTED BY NE
12/16/74 - 15 DTD 10 DEC 74.

013067

R 101544Z DEC 74
FM SECSTATE WASHDC
TO ALL DIPLOMATIC POSTS

ADDED: OLC (ATTN KARLA) FILE

UNCLAS STATE 270247

E.O. 11652 NA
TAGS: NA
SUBJECT: THE ALLOWANCES EMERGENCY

AFBA TELEGRAM

DELIVER TO AFBA REPRESENTATIVE OR ALTERNATE; DISTRIBUTE
CONSTITUENT POSTS

1. HOUSE WAYS AND MEANS COMMITTEE ON NOVEMBER 20, 1974,
REPORTED OUT H.R. 17488, MAKING ALL FOREIGN SERVICE OVERSEAS
BEAS ALLOWANCES TAXABLE. THIS WOULD HAVE EFFECT OF MAKING
CONTINUATION IN THE FOREIGN SERVICE POSSIBLE ONLY FOR THOSE
INDEPENDENTLY WEALTHY, AND FORCE MANY REPRESENTATIONS
EFFORTS OF AFBA AND MANAGEMENT MAY SUCCEED IN KEEPING BILL
FROM BECOMING LAW THIS SESSION, BUT WE NEED HELP OF EVERY
ONE IN FOREIGN SERVICE TO DEFEAT THE BILL AND TO PREVENT
IT FROM BEING RAISED AGAIN NEXT SESSION.

2. BACKGROUND ON THE BILL: ON NOVEMBER 20, WITHOUT HEAR-
INGS OR ADVANCE NOTICE, HOUSE WAYS AND MEANS COMMITTEE
DROUGHT OUT A LIMITED TAX REFORM BILL, WHOSE PRIMARY
EFFECT WOULD BE TO PHASE OUT OIL DEPLETION ALLOWANCES AND
TAX WINDFALL OIL PROFITS. UNFORTUNATELY, ONE PROVISION
OF THE BILL (TITLE III, SECTION 311(b)), WILL PHASE OUT
OVER NEXT THREE YEARS TAX EXEMPT STATUS OF ALL OVERSEAS
FOREIGN SERVICE ALLOWANCES, INCLUDING REPRESENTATION.

UNCLASSIFIED

STATE TELEGRAM

UNCLASSIFIED

PAGE 02 STATE 270247

HOUSING, COST-OF-LIVING, EDUCATION, EDUCATIONAL TRAVEL,

SHEPPING AND TRANSPORTATION, AND A NUMBER OF OTHERS. THE BILL IS THE RESULT OF PRESSURE FROM A NUMBER OF ORGANIZATIONS, PARTICULARLY THE AFL-CIO, TO PRESS FOR TAX REFORMS AND STRIKE A BLOW AT MULTINATIONAL CORPORATIONS IN GENERAL AND OIL COMPANIES IN PARTICULAR.

3. EFFECT OF THE BILL ON THE FOREIGN SERVICE: EXCEPT FOR POST DIFFERENTIALS (HARDSHIP ALLOWANCES), FOREIGN SERVICE ALLOWANCES ARE DESIGNED TO ASSURE THAT THE EXTRAORDINARY COSTS OF LIVING OVERSEAS ARE OFFSET BY THE GOVERNMENT, JUST TO KEEP FOREIGN SERVICE PEOPLE ON A PAR WITH THOSE SERVING IN WASHINGTON.

IF BILL PASSES, MOST FOREIGN SERVICE EMPLOYEES WOULD HAVE \$5,000 TO \$25,000 ADDED TO THEIR TAXABLE INCOMES, WHICH WOULD ALSO PLACE THEM IN A SUBSTANTIALLY HIGHER TAX BRACKET. SERVICE AT MOST POSTS OVERSEAS WOULD BECOME SUBSTANTIALLY MORE EXPENSIVE IN SPITE OF ALLOWANCES, THAN WOULD BE STAYING IN WASHINGTON AND LIVING OFF ONE'S SALARY.

CONSIDER, FOR EXAMPLE, TWO INDIVIDUALS, ONE POSTED AT A MODERATELY EXPENSIVE POST, AND A GS-15 IN WASHINGTON. ASSUME COMPARABLY SIZED FAMILIES. THE EFFECT, TAKING ONLY THREE ALLOWANCES (HOUSING, COST-OF-LIVING AND EDUCATION), WOULD BE AS FOLLOWS:

	POSS-4 ABROAD	GS-15 IN
SALARY	\$22,200	\$22,000
ALLOWANCES (QUARTERS, EDUCATION, COST-OF-LIVING)	14,000	5,000
GROSS TAXABLE INCOME	36,200	27,000
INCOME TAX	9,200	3,600
ADJUSTMENT FOR HOUSING, EDUCATION AND COST-OF-LIVING	14,000	5,000
REMAINING DISPOSABLE INCOME	14,000	10,400

THE FOREIGN SERVICE EMPLOYEE WOULD THUS BE ALMOST \$1,600

UNCLASSIFIED

UNCLASSIFIED

3

PAGE 03 STATE 270247

DEPARTMENT OF STATE TELEGRAM

A YEAR WORSE OFF THAN A WASHINGTON-BASED EMPLOYEE. IF ALL ALLOWANCES WERE USED, THE EFFECT WOULD BE EVEN WORSE. LOWER PAID STAFF PERSONNEL WOULD HAVE THEIR DISPOSSABLE INCOMES REDUCED BY EVEN LARGER PERCENTAGES. OUR PRELIMINARY STUDY INDICATES THAT SERVICE AT MOST POSTS OVERSEAS WOULD BECOME SUBSTANTIALLY MORE EXPENSIVE IN SPITE OF ALLOWANCES, THAN WOULD BE STAYING IN WASHINGTON AND LEAVING OFF ONE'S SALARY. IF THIS LEGISLATION IS ALLOWED TO PASS, WE PREDICT THE RESULT WILL BE LARGE SCALE REORGANIZATIONS FROM THE FOREIGN SERVICE OVER THE NEXT FOUR YEARS, AND THE

NEAR TOTAL DESTRUCTION OF THIS COUNTRY'S CAPACITY TO BE SERVED ABROAD BY THE BEST (AS OPPOSED TO THE MOST HEALTHY) INDIVIDUALS.

4. WHAT AFSA IS DOING ABOUT IT: THE BILL WAS REPORTED OUT OF COMMITTEE SO RAPIDLY THAT IT CAUGHT EVERYONE BY SURPRISE. INDEED, WE WERE PROBABLY THE FIRST ORGANIZATION TO LEARN THAT THIS HAD HAPPENED, HAVING BEEN TIPPED OFF THE MORNING OF THE VOTE. THAT SAME AFTERNOON, AS THE BILL WAS REPORTED OUT, WE INDICATED OUR OBJECTIONS TO THE COMMITTEE STAFF, NOTIFIED KEY INDIVIDUALS CONCERNED WITH FOREIGN AFFAIRS IN THE SENATE AND THE HOUSE, AND NOTIFIED CONCERNED LOBBYING ORGANIZATIONS. WE CONVENED AN EMERGENCY MEETING WITH SENIOR DEPARTMENT OFFICIALS, WITH WHOM WE WORKED OUT A COMMON STRATEGY FOR DEALING WITH THIS ISSUE, AND WE HAD AN IDENTIFY OF INTERESTS ON THIS ISSUE, AND WERE ABLE TO CONVINCE THE AGENCIES TO INTERVENE DIRECTLY WITH THE CONGRESS. WITH MANAGEMENT WE AGREED AT THAT MEETING THAT QUIET, BEHIND-THE-SCENES PRESSURE WOULD BE THE BEST STRATEGY FOR DEALING WITH THE IMMEDIATE THREAT, BUT THAT A STRONG PUBLIC POSTURE WOULD BE ESSENTIAL THEREAFTER. THAT TIME HAD NOW ARRIVED. WHILE WE ARE CONTACTING EVERY SENATOR, KEY CONGRESSMEN AND DEALING WITH OTHER INTERESTED GROUPS, WE NEED YOUR HELP.

5. WHERE THINGS STAND NOW: WE MUST TAKE URGENT STEPS TO ASSURE THAT THIS BILL DOES NOT PASS THIS SESSION. THE BILL HAS A 50-50 CHANCE OR BETTER OF PASSING THE HOUSE THIS SESSION, BUT PROSPECTS IN THE SENATE ARE WEAKER. ACCORDINGLY, AFSA IS PUTTING MOST OF ITS EFFORTS INTO

UNCLASSIFIED

DEPARTMENT OF STATE TELEGRAM

DEPARTMENT OF STATE TELEGRAM

UNCLASSIFIED

PAGE 04 STATE 270247

THE SENATE.

6. APBA REPRESENTATIVES SHOULD URGENTLY BRING THIS INFORMATION TO ATTENTION OF ALL FOREIGN SERVICE PERSONNEL AND OTHER AFFECTED GOVERNMENT PERSONNEL AT POST. MEMBERS AT POST SHOULD IMMEDIATELY WRITE OR CABLE THEIR CONGRESSMAN AND ESPECIALLY THEIR TWO SENATORS, URGING THEM TO RESIST THIS PROVISION OF H.R. 17499 AND ANY LIKE IT WHICH MAY BE RAISED IN THE NEXT SESSION. IN DOING SO, INDIVIDUALS SHOULD STRESS HOW THEY WOULD BE AFFECTED PERSONALLY, GIVING SPECIFICS. IF THESE PROVISIONS WOULD FORCE YOU TO RESIGN FROM THE SERVICE, OR REFUSE SERVICE AT EXPENSIVE POSTS, YOU SHOULD SO INDICATE.

7. APBA REPS AND CHAPTERS ARE ALSO REQUESTED TO PREPARE A REPORT ON WHAT EXPECT THIS LEGISLATION WOULD HAVE ON PERSONNEL AT YOUR POST. THIS INFORMATION WILL BE INVALUABLE AS EVIDENCE IN DISCUSSING THE ISSUE WITH MEMBERS OF THE CONGRESS, THE PRESS, ETC. REGARDS, BOYATT

INTERESTED PARTY INGERSOLL

DEPARTMENT OF STATE TELEGRAM

UNCLASSIFIED